

ASSESSING INFORMED TRADING MEASURES
AGAINST MATERIAL MINING PROGRESS REPORTS

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Certificate of original authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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Date:

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Abstract

A method for assessing measures of informed trading is proposed, under a framework of minimal assumptions about informed trader behaviour. The method is applied in the setting of progress reports made by mining firms. Two informed trading measures are assessed: PIN (probability of informed trading; Easley, Kiefer, O'Hara and Paperman 1996) and limit order book slope (Næs and Skjeltorp 2006). PIN is found to be ineffective, at least in this setting given the assumptions. It is found that buyer initiated trading surges prior to the release of both good and bad material news. This and low liquidity are offered as explanations for PIN's failure. Limit order book slope is found to be weakly predictive of informed trading, but it is unable to distinguish between buyer and seller driven informed trading. The method may be applied to other informed trading measures in this setting or in others. This thesis is of interest to academics, market regulators and other users of informed trading measures.